

membership report

August 2022



Millennium
CORPORATE CREDIT UNION

content

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financial commentary

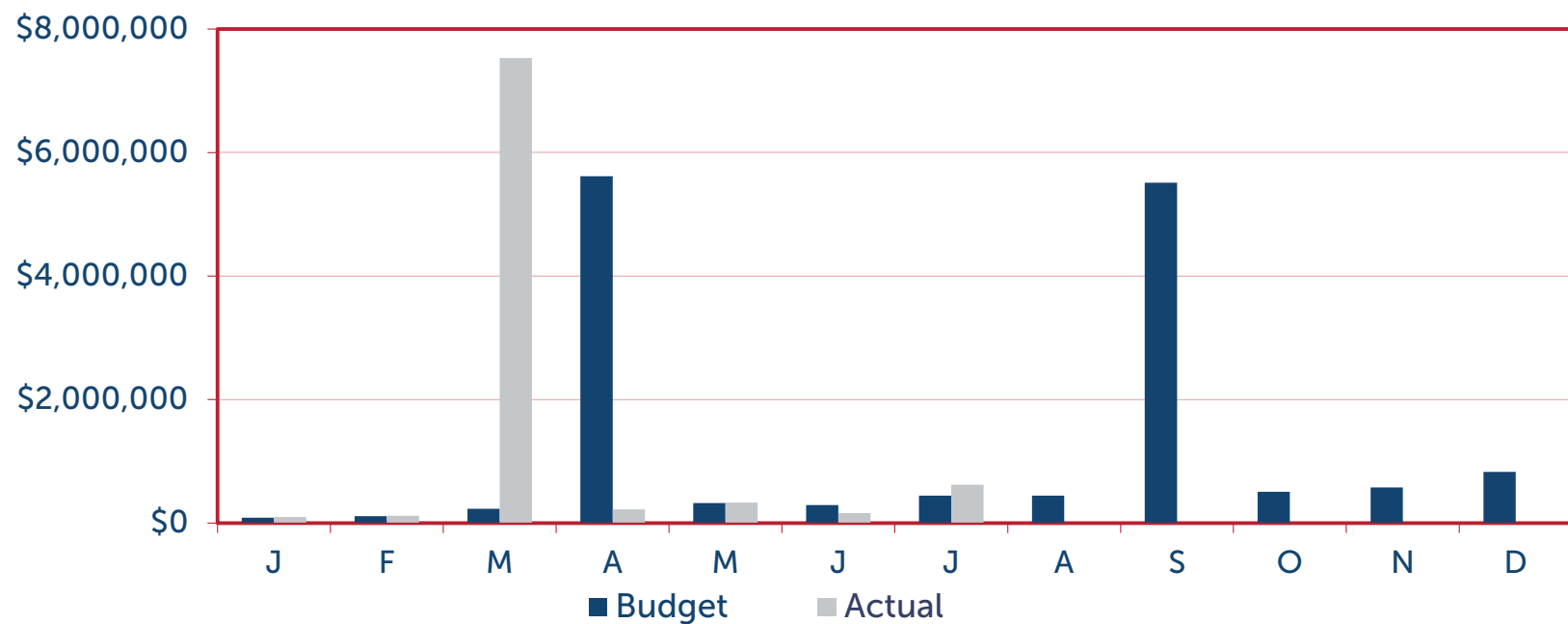
Net income for July was \$621,175, above budget by \$178,013 or 40.2% for the month. Net interest income was \$183,919 or 15.0% less than budget due primarily to lower average assets for the month, an FRB interest payment that was inadvertently not recorded on June 30th and the lagging impact of the rate increases on our floating rate investments. Non-interest income was lower than budget by \$109,685 or 19.1%, due primarily to the missed timing of closing on the purchase of a business unit reflecting the month's related income. Operating expenses were under budget by \$59,185 or 7.9%, due primarily to the missed timing of closing on the purchase of a business unit and accruals for professional services. CUSO income was less than budget, \$2,933 or 97.8%, as one of our CUSO's has earned less than budgeted. PCC dividends were higher than budget, \$62,158 or 180.0%, as the FOMC raised overnight rates more than expected and, therefore, Millennium raised rates we paid to members. The year-to-date coverage ratio (fee income/operating expenses) is 75.2%, which is lower than the goal of 76.6% for the year.

The year-to-date Return on Assets (ROA), including the net impact of the USC Estate, is higher than budgeted. The ROA through July (on an actual/365 basis) is 107.9 bps on average assets of \$1,449.6 million.

Millennium Corporate's daily average net assets (DANA) for the previous 12-month period, which is used for the calculation of our capital ratios, was \$1,516.5 million at the end of July, a decrease of \$43.0 million or 2.8% from the previous month.

Millennium Corporate is defined as "Well Capitalized" and we ended the month with Retained Earnings of \$53,154,406, representing a Retained Earnings ratio of 3.51% and a Tier 1 ratio of 6.88%.

2022 budget/actual net income



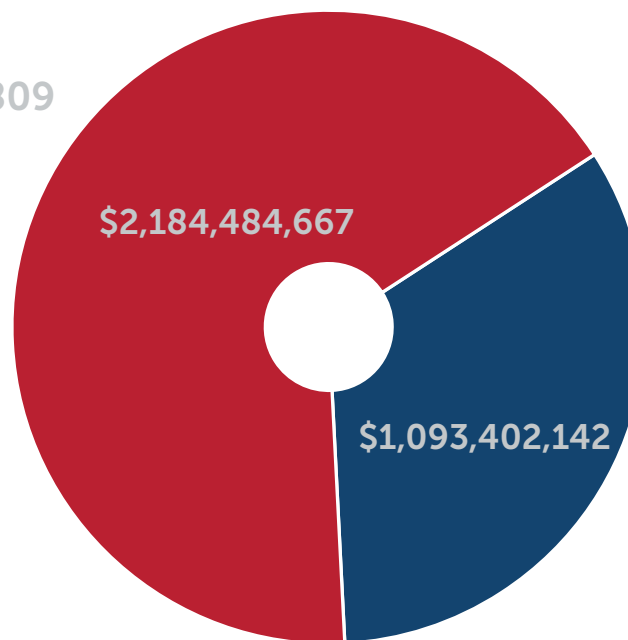
YTD actual/budget variance | dollars

July 2022 YTD <i>(In Thousands)</i>	Actual	Budget	Variance
Net Interest Income	\$3,158.3	\$3,254.5	(\$96.2)
+ Non-Interest Income	\$3,452.2	\$3,746.6	(\$294.4)
- Operating Expenses	\$4,654.6	\$4,927.4	+ \$272.8
= Net Operating Income	\$1,955.9	\$2,073.7	(\$117.8)
+ CUSO Gains/Losses	\$1.5	\$19.3	(\$17.8)
- PCC Dividends	\$337.2	\$198.3	(\$138.9)
+ Other Gains/Losses	\$7,467.8	\$5,214.2	\$2,253.6
= Net Income	\$9,087.9	\$7,108.9	\$1,979.0

total assets | on- and off-balance sheet

July 2022

Total Managed Assets - \$3,277,886,809



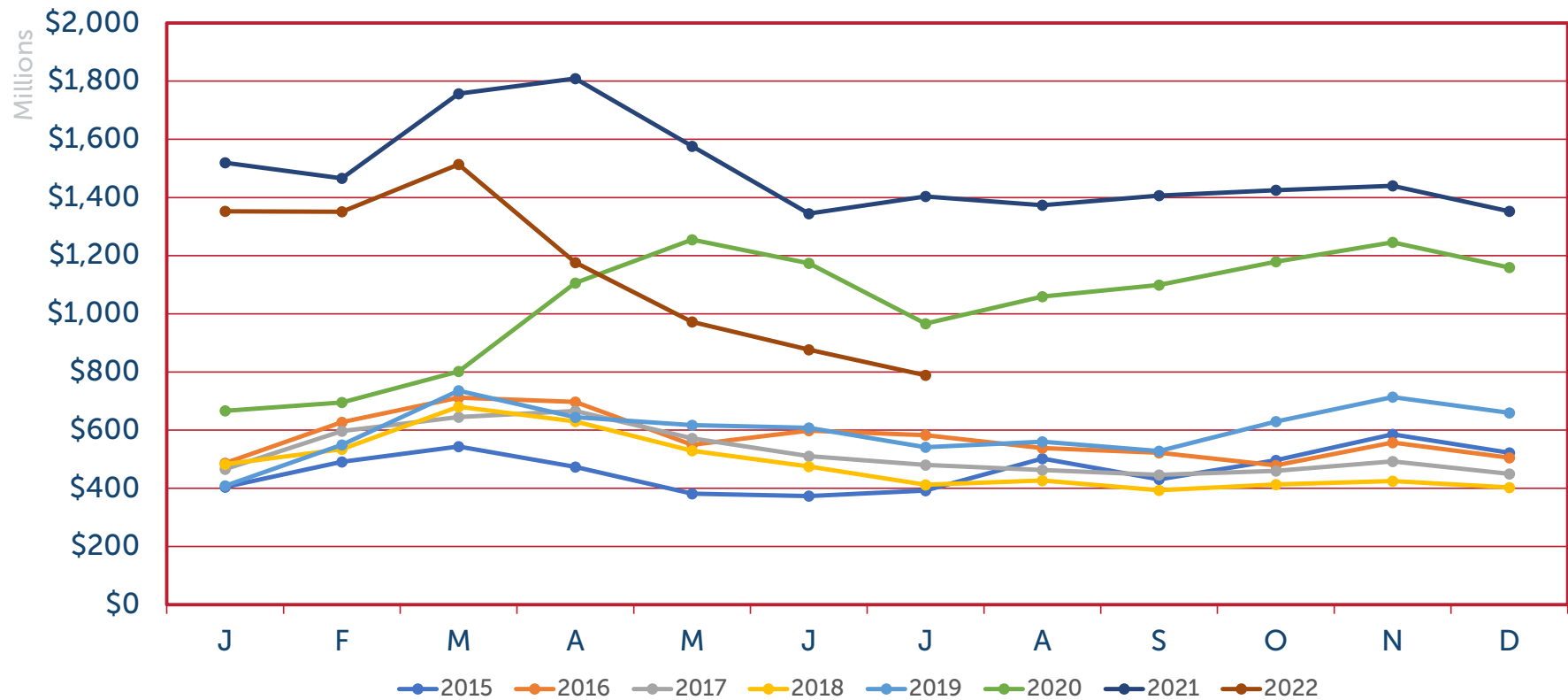
■ On-Balance Sheet ■ Off-Balance Sheet

liquidity commentary

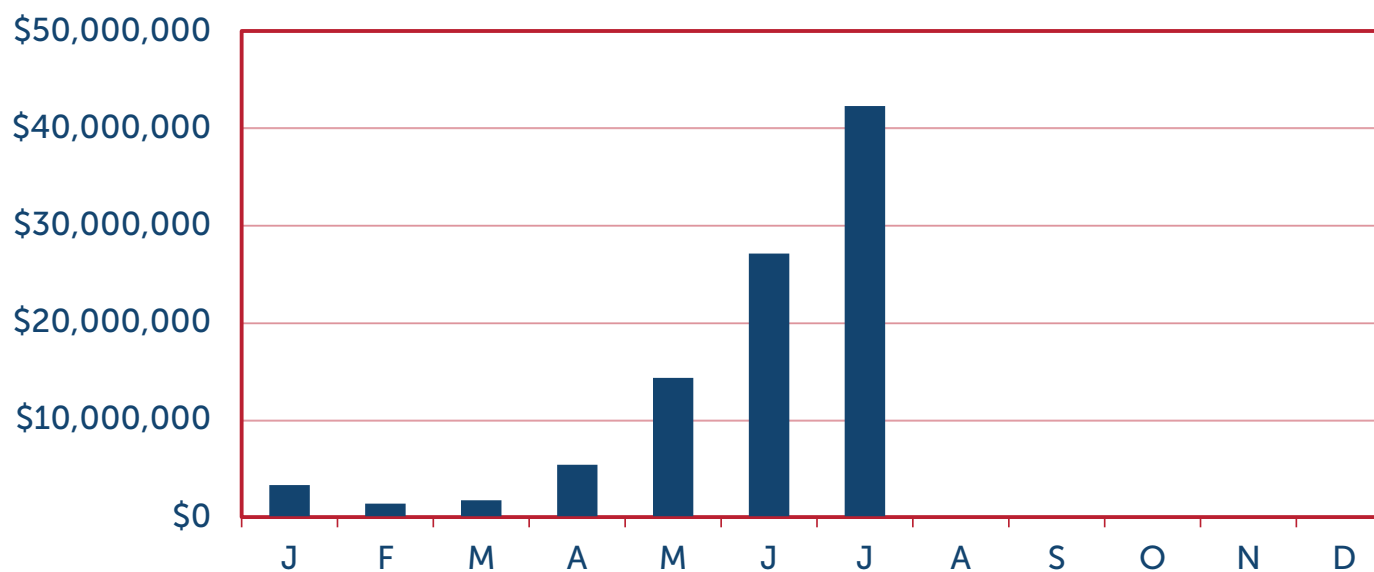
Millennium Corporate did access our FHLB line-of-credit (LOC) four times in July 2022. Millennium Corporate currently has a collateralized LOC of \$538.0 million with FHLB.

- Millennium's liquidity options remain sufficient to meet member needs.
- July 2022 month-end figures show SimpliCD issuance totals of \$131.6 million/19 program users.
- Average loan balances are provided below:
 - February 2022 - \$1.4 million
 - March 2022 - \$1.7 million
 - April 2022 - \$5.2 million
 - May 2022 - \$14.3 million
 - June 2022 - \$27.1 million
 - July 2022 - \$42.3 million
 - August (to-date) - \$42.5 million

historical member overnight deposits



2022 average monthly member borrowings



IRR | net economic value (NEV)

NEV Testing Results June 2022						
	Net Economic Value (NEV)	NEV Dollar Change	NEV Percentage Change	NEV Ratio	Reg. Limits	Pass/Fail
-300 bps Increase in Interest Rates	-	-	-	-	Minimum Ratio – 2%	PASS
					Max % Change – (15%)	PASS
Base Case	\$105,066,061	-	-	7.51%	Minimum Ratio – 2%	PASS
+300 bps Increase in Interest Rates	\$102,614,594	(\$2,451,467)	(2.33%)	7.38%	Minimum Ratio – 2%	PASS
					Max % Change – (15%)	PASS

Millennium Corporate passes both the required minimum NEV ratio and the maximum change limitation in the +300 rate shock scenario.

capital commentary

- Increase to Retained Earnings during the past 12 months, through July 2022, is \$25,909,228
- Retained Earnings ratio is 3.51% as of July 2022 versus 1.72%, one year ago
- Millennium is categorized as **“Well Capitalized”**.
- Listed below are the capital ratios of the corporate credit union regulation, Millennium Corporate’s July 2022 capital ratios, and the minimum regulatory requirement of each (where applicable).

Ratio	July 2022	Minimum Requirement
Retained Earnings	3.51%	0.45%
Tier 1 Capital	6.88%	4.00%
Tier 1 Risk-Based Capital	69.93%	4.00%
Total Risk-Based Capital	69.93%	8.00%
GAAP Capital	7.08%	

board meeting recap

Board of Director's Meeting | August 25, 2022

- Approved July 2022 Financial Statements & Committee Reports
- Approved June 2022 Net Economic Value (NEV) Reports
- Received updates on the following initiatives from management-
 - Discussed the decrease in average assets due to recent loan growth and a decline in member savings.
 - Discussed the Corporate CU Alliance comment letter to NCUA regarding the 2022 Regulatory Review. Letter documented revisions within Part 704 that would strengthen relationships and allow corporates to provide needed services and product offerings to members.
 - Update regarding the FedNow Pilot Program, Millennium's July 27th webinar regarding FedNow and Millennium's Instant Payments/FedNow Questionnaire sent mid-August (already more than fifty responses).
 - Update on sponsorship activities over the next month with our League partners including the Heartland CUA Annual Meeting and Montana's CEO Roundtable meetings.
 - It was reported that to date twenty members have signed up for our CECLution for members.
 - Discussed the past FOMC rate increases and the expected increases in future FOMC meetings.
 - Federal Reserve Bank of Kansas City conducted their annual review to verify that Millennium is in compliance with our responsibilities as an EBA Agent.
 - Board reviewed the June 2022 corporate credit unions call report data.

board meeting recap

Old Business – Reviewed the financial results of our CUSO investments as of June 2022

- Primary Financial Company, LLC (SimpliCD) had net income of \$1,416 for the first half of 2022. The company has total equity of \$16.4 million, representing an equity ratio of 49.4%. Millennium ended June with outstanding SimpliCD balances of \$681.6 million and SimpliCD issuance of \$115.6 million, an option used by Millennium members to generate additional liquidity. Millennium's current ownership percentage is 12.0% and our investment amount is \$1,973,707.
- CU Business Group, LLC (CUBG) had net income of \$263,676 for the first half of 2022. Total equity is \$3.7 million, representing an equity ratio of 62.2% as of June 2022. During the past quarter CUBG had several reviews (loan review, SSAE, financial audit) with no material exceptions. Larry Middleman, CUBG CEO, is retiring at the end of September and Justin Conrey, current SVP-Credit Administration, will succeed Larry. Millennium's current ownership percentage is 4.41% and our investment amount is \$120,000.
- CU Investment Solutions, LLC (ISI) year-to-date income is \$11,232. ISI's fiscal year runs from October 2021 through September 2022. As of June 2022, ISI had retained earnings of \$3,106,328, reflecting an equity ratio of 63.9%. Millennium's current ownership percentage is 22.2% and our investment amount is \$872,814.
- CULedger Heartland, LLC over the past years, based on the continued unprofitability of CULedger Millennium management decided to write down our investment in CULedger-Heartland to \$1.

board meeting recap

Board of Director's Meeting – August 25, 2022

- Management reviewed the status of the Measures and Targets for Millennium's 2022-2023 Strategic Plan.
- The Board completed training for Anti-Money Laundering/Bank Secrecy Act conducted by Lori Domian, Millennium Compliance Officer.
- Steve Borchers, Millennium's independent risk management expert, presented and the Board approved, the ERM Third Quarter Board Report accepting the current residual risk level of \$1,647,995 which is 3.10% of the July 2022 Retained Earnings of \$53,154,406.
- A current Board member has communicated to the Board Chair and the CEO with much regret they needed to resign from the Millennium Board. The Board discussed the vacant seat, options including potential Board members from current committees and ensuring geographical representation. Based on the discussions, the CEO will visit with potential candidates to ensure they have the interest and time to serve on the Board. An appointment will be made at the next meeting.

board meeting recap

Board of Director's Meeting – August 25, 2022

- For the third year in a row, unusual circumstances (extent and higher projected rate hikes; uncertainty of the payments on the USC Estate; missed timing of purchasing of the item processing business; and the significant decline in liquidity impacting assets levels) have impacted our budget. As a result, Management has projected future balances, fee income, operating expenses, CUSO income, PCC dividends, partial payments from the USC Estate and potential distributions to members for the remainder of 2022. The Board approved a Revised Budget for the remainder of the year. These projections results in an ROA of 128.9 bps for the year; a Retained Earnings ratio of 4.79%; and Tier 1 Capital ratio of 8.87% on average assets of \$1,257.9 million.
- Representatives from the Kansas Department of Credit Unions (Julie Murray, Administrator), National Credit Union Administration (Darren Dutton, National Field Supervisor and Andrew Numelin, NCUA Examiner-In-Charge) presented the 2022 joint KDCU/NCUA examination report of Millennium to the members of the Board and Management. The examination effective date was April 30, 2022. The Millennium Volunteers and Management were pleased with the results of the examination report.

supervisory committee recap

Supervisory Committee Meeting | August 29, 2022

- Committee reviewed the risk assessments for Western Union Business Systems
- The Committee reviewed the recommendations from the Corporate Checking Internal Audit and the annual ACH Transaction Cap review.
- Reported that the Federal Reserve Bank of Kansas City conducted their annual review to verify that Millennium follows our responsibilities as an EBA Agent.
- Reviewed the Trace Security Information Audit for smishing and external penetration.
- Committee approved the Internal Audit Planning Schedule for the remainder 2022 and for 2023.
- Reviewed the KDCU/NCUA Exam Report as of April 2022.
- Reviewed the status of the items on Millennium's matrix report of all issues or recommendations from regulatory examinations; internal and external audits; and internal risk assessments. All items are being addressed within adequate timeframes.
- Reviewed BSA monitoring reports since last meeting.
- Next meeting – October 24, 2022

credit committee recap

Credit Committee Meeting | August 10, 2022

- Gerry Veis, EVP of Bear Paw CU, was elected as Chairman of the Credit Committee.
- Committee reviewed and approved 46 lines-of-credit
- Committee reviewed the Monitor Report
- Committee cancelled four lines-of-credit
- Current Advised LOC status – 236 Lines/\$1,047,602,097
- Committee reviewed the June 2022 cash flow graphs and LOC coverage projections report
- Next meeting – October 26, 2022

events calendar

September 2022

- **5-Monday** | Observation of Labor Day
- **14-Wednesday** | Federal Reserve Bank/Millennium Monthly Touchpoint Meeting
- **15-Thursday** | FedNow Pilot Meeting
- **15-16 Thursday/Friday** | Heartland CU Association Annual Meeting & Convention
- **21-23 Wed/Thu/Fri** | Montana's CUs CEO/Manager Roundtable Meeting
- **22-Thursday** | Millennium ALCO & Board Meeting
- **26-Monday** | ERM Committee Meeting